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SIPDIS

DEPARTMENT FOR SCA/CEN

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TAGS: ECON PGOV TI

SUBJECT: PARLIAMENTARIAN VOICES DOUBTS ABOUT TAJIKISTAN'S ECONOMIC OUTLOOK

REF: (A) DUSHANBE 1501 (B) DUSHANBE 1548

Classified By: Ambassador Tracey A. Jacobson, reasons 1.4 (b) and (d)

¶1. (C) Summary: On 20 December, Yusufjon Akhmedov, a deputy in the lower house of Parliament, candidly discussed with Poloff a number of issues, including the extent to which President Rahmon personally benefitted from the Tajik Aluminum Company (Talco). Akhmedov speculated about a possible declaration of bankruptcy by the Tajik government. End summary.

¶2. (C) On December 20, Parliament member Akhmedov told Poloff the Tajik government was relying heavily on foreign currency reserves to finance its continued operations. The supply of hard currency was dwindling, however, and Akhmedov believed the reserves would be completely depleted by the end of January 2009 or the start of February. Akhmedov said the government would deny bankruptcy if/when it occurred; however, it would be impossible to continue functioning without the reserves, and in the current economic climate there were no obvious alternatives.

(Note: According to a recent assessment by the International Monetary Fund, Tajikistan's National Bank was carrying adequate foreign currency reserves, around \$167 million [ref A]. More information about the health of the Bank may emerge when key findings of a recent audit are announced in the coming weeks [ref B]. End note.)

¶3. (C) Akhmedov said President Emomali Rahmon personally siphoned off 90% of the annual earnings of Talco, Tajikistan's main industrial concern. Talco's yearly earnings were around a half billion dollars, some \$450 to \$500 million of which Rahmon kept for himself in off-shore accounts. (Note: This contradicts a recent statement by World Bank Country Director Chiara Bronchi, who told Ambassador recently that proceeds from Talco's British Virgin Islands Management company do return to Tajikistan to private accounts in Orienbank owned by Presidential brother-in-law Hasan Asadullozoda.)

¶4. (C) Akhmedov represents the nineteenth district of Konibodom, Tajikistan, an industrial region in the north of the country. Akhmedov is serving his fourth term in parliament as an independent and has faced significant challenges to his position. In particular, Akhmedov claimed that during the parliamentary elections of 2005 a representative of the People's Democratic Party announced an electoral victory over Akhmedov. Supporters of Akhmedov took to the streets and organized a small protest, which successfully forced the PDP candidate to back down. Senior members of Parliament and members of the PDP party view Akhmedov as too independent and non-supportive of the majority party. This was highlighted when the PDP removed Akhmedov from the Committee on Energy and Industry and transferred him to the less-desirable Committee on Foreign

Affairs.

¶5. (C) Comment: It is impossible to verify Akhmedov's claims about the amount of money the President received from Talco. Talco's inputs and profits are handled by a privately-held company based in the British Virgin Islands, and its balance sheet is not public. According to some Embassy contacts, Talco nets just under \$50 million a year in profits inside Tajikistan, which is consistent with Akhmedov's figures. But the amount going to the President via the offshore branch is a matter of speculation. Post has heard speculation on Rahmon's finances from many sources. The discussion with Akhmedov was more notable for the openness with which a senior member of parliament was willing to speak to us, than for its content. While it is unclear how seriously the world financial crisis will affect Tajikistan, there is little doubt that it will be felt here and is impacting Talco. Against that backdrop, the extent to which the President helps himself to the country's limited and possibly shrinking wealth could become a destabilizing issue. End Comment.

JACOBSON